

FISCAL MEMORANDUM

SB 6 – HB 347

June 12, 2007

SUMMARY OF AMENDMENT (010126): Encourages rather than authorizes the University of Tennessee to construct a Biomass Research Complex for development and testing of systems for producing biofuels.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$14,697,000 Year 1
\$18,037,000 Years 2-5

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures - \$14,697,000 Year 1
\$18,037,000 Years 2-5

According to the University of Tennessee, a capital budget improvement \$40,700,000 was included in the Governor's budget for FY07-08 for a biofuel research demonstration facility.

Assumptions applied to amendment:

- The University of Tennessee will build a facility capable of producing five (5) million gallons of ethanol per year. (One million gallons of ethanol would be produced the first year and five million gallons beginning in year two.) The estimated cost of a Biomass Conversion Complex capable of such production is \$40,700,000 which includes land acquisition, facilities construction, and equipment. (Since there is no such facility currently in existence, the estimated construction and operating costs are based on information reported by the National Renewable Energy Laboratory for a similar initiative.)
- The facilities-related costs will be funded by 20-year general obligation bonds with an estimated annual debt service payment of \$4,477,000.
- The annual state operating budget for the Complex is estimated to be \$10,220,000 in the first year and \$13,560,000 per year for years two through five.

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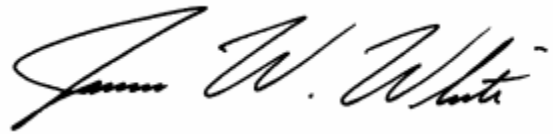
- In the first five years state expenditures for the Complex include:

	<u>Year 1</u>	<u>Years 2-5</u>
Feedstock	\$ 1,670,000	\$1,670,000
Feedstock Incentive Payment	1,750,000	1,750,000
Operating Cost	1,550,000	3,640,000
Research & Development	5,250,000	6,500,000
Facilities Cost - 20 yr bonds	<u>4,477,000</u>	<u>4,477,000</u>
Total Operating Cost	<u>\$14,697,000</u>	<u>\$18,037,000</u>

- The estimated cost of such a facility is \$40,700,000 which includes land acquisition, facilities construction, and equipment.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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